



AmInvestment Bank

Retail Research

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TECHNICAL STRATEGY

Momentum Turns to Small-Caps

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Rationale for report: Market Update

Key Indicators

Technical analysis

New 52-week high

Chart patterns

Exponential moving averages

(i) 21-day EMA

(ii) 50-day EMA

(iii) 200-day EMA

Investment Highlights

The local equity market has entered a steadier phase, with both the large-cap FBM KLCI (KLCI) and mid-cap FBM 70 sustaining gains and setting a more positive tone. This momentum is gradually spilling over into small-cap stocks, supported by renewed rotation toward second liners in search of alpha, sustained interest in AI/DC-related themes, and resilient domestic demand. From a technical perspective, the KLCI has reclaimed its position above the 200-day exponential moving average (EMA)—a key long-term trend indicator—signaling improving medium- to long-term momentum. The Bursa Malaysia Small Cap Index (FBMSCAP) has mirrored this recovery, rebounding to a 7-month high. Having rallied ~25% from its YTD low of 13,622 to a recent peak of 17,000, the index reflects a clear resurgence in sentiment and selective buying interest. Against this backdrop, we applied a screening framework driven by technical analysis, combining momentum signals with fundamental catalysts such as earnings visibility, sector growth drivers, and exposure to structural themes. From this process, six small-cap names stand out in the current setup: *VSTECs*, *Northeast Group*, *Life Water*, *SDS Group*, *Edeltec*, and *SKB Shutters*.

- **KLCI: Road to 1,700.** The index recorded a new YTD high of 1,658 after breaking above the 11-month downtrend line originating from the 2024 peak. With the 21-, 50-, and 200-day EMAs trending higher, technical signals remain bullish. Having cleared the 1,600 resistance, the index is now trading within an upward channel, suggesting continued momentum and a potential test of the next crucial resistance at 1,700.
- **Bullish Flows Lift Small Caps.** The FBMSCAP signals a potential trend reversal after hitting a 7-month high and reclaiming ground above the 200-day EMA. A break above the year-long downtrend line suggests renewed buying interest and a possible shift in market sentiment toward small caps. Supported by a sustained 21-/50-day EMA bullish crossover and an upward-sloping 200-day EMA, the index points to continued momentum and further upside.
- **Small-Cap Picks Gain Traction.** We adopt a technical analysis-driven strategy to identify small-cap stocks showing early signs of renewed buying interest and potential uptrend resumption. Key criteria include trading near 52-week highs (either recently achieved or within 20% of the peak, with preference for those closer to fresh highs), clear breakouts from consolidation phases signaling the start of a new uptrend, and prices sustaining above rising EMAs to confirm trend strength. Based on these signals, our small-cap momentum picks are *VSTECs*, *Northeast Group*, *Life Water*, *SDS Group*, *Edeltec*, and *SKB Shutters*.

EXHIBIT 1: BURSA MALAYSIA KLCI INDEX (FBM KLCI)

Exponential Moving Average (EMA): Orange line = 21-day EMA | Blue line = 50-day EMA | Black line = 200-day EMA

Source: AmInvestment Bank

KLCI Clears 1,600, Eyes 1,700. Since breaking out of the 11-month downtrend line from the 2024 peak, the index has sustained a steady upward trajectory. With the 21-, 50-, and 200-day EMAs trending higher, technical signals remain bullish, indicating further upside potential. Having cleared the 1,600 resistance, the index is now trading within a well-defined upward channel, reinforcing the near-term bullish trend. Key support levels are seen at 1,600 (resistance-turned-support), followed by 1,560, which coincides with the 200-day EMA. On the upside, immediate resistance lies at the YTD high of 1,658 and the 2024 peak of 1,685, with the 1,700 psychological mark serving as the next key target. Overall, the technical setup suggests sustained momentum, with a likelihood of surpassing the YTD high and potentially testing the 1,700 level in the near term.

EXHIBIT 2: BURSA MALAYSIA SMALL CAP INDEX (FBMSCAP)

Exponential Moving Average (EMA): Orange line = 21-day EMA | Blue line = 50-day EMA | Black line = 200-day EMA

Source: AmInvestment Bank

Momentum Extends into Small Caps. The FBMSCAP is showing signs of a longer-term trend reversal after climbing to a fresh 7-month high and reclaiming its position above the 200-day EMA. Notably, the index has also broken above the year-long downtrend line drawn from the 2024 peak, signaling a return of buying interest. Momentum indicators further support this view. The bullish crossover between the 21-day and 50-day EMAs, which occurred two months ago, remains intact, while the 200-day EMA has started to slope upward—both pointing to sustained upside potential. On the upside, immediate resistance is seen at the 17,400 level, and a decisive breakout above this would pave the way for a retest of the YTD high near 18,000. On the downside, key support lies at 16,200, aligned with the 200-day EMA, and a breach below this level could trigger a deeper pullback toward the next support at 15,500.

STOCK PICKS

Technical views on VSTECS, Northeast, Life Water, SDS, Edeltec, and SKB Shutters

EXHIBIT 3: VSTECS (VSTECS | 5162) | PRICE: RM4.05



Exponential Moving Average (EMA): Orange line = 21-day EMA | Blue line = 50-day EMA | Black line = 200-day EMA

Source: AmlInvestment Bank

Investment thesis. VSTECS stands out with a diversified ICT strategy across distribution, enterprise systems, and services. Growth is driven by rising demand in AI, cybersecurity, automation, and cloud, alongside the AI-driven device replacement cycle. Enterprise systems are set for recovery, supported by robust public sector projects and a solid order book, while ICT services benefit from hyperscaler and data centre expansion. Strategic partnerships with global tech leaders and supportive government policies further reinforce its long-term growth outlook.

Technical analysis. The upside gap and breakout above the downtrend line seven weeks ago suggest renewed buying interest. Together with the bullish rectangle breakout and rising EMAs, momentum is strengthening. A bullish bias may emerge above the **RM3.80** level, with a stop-loss set at **RM3.58**, below the 50-day EMA. On the upside, near-term resistance is seen at **RM4.40**, followed by **RM4.60**.

EXHIBIT 4: NORTHEAST GROUP (NE | 0325) | PRICE: RM0.845



Exponential Moving Average (EMA): Orange line = 21-day EMA | Blue line = 50-day EMA | Black line = 200-day EMA

Source: AmlInvestment Bank

Investment thesis. Northeast Group offers compelling growth potential as a precision engineering manufacturer serving photonics, semiconductors, telecommunications, and optoelectronics. Leveraging structural tailwinds from digitalisation, AI, data centres, and 5G/6G, the group is expanding capacity through new factories, CNC machines, and integrated engineering solutions. Its export-driven model, resilient customer base, and proven execution underpin scalability, while near-full utilisation reflects strong demand. With expansion underway, the group is well-positioned to capture sustained opportunities across advanced technology supply chains.

Technical analysis. The stock's buying momentum has returned after breaking out of a 1-week bullish high-tight flag pattern with a white marubozu candlestick a few sessions ago. Having surged to a new all-time high, the near-term bullish trend looks set to persist. A bullish bias may emerge above the **RM0.84** level, with a stop-loss set at **RM0.74**, below the 21-day EMA. On the upside, near-term resistance is seen at **RM1.00**, followed by **RM1.10**.

EXHIBIT 5: LIFE WATER (LWSABAH | 5328) | PRICE: RM0.985



Exponential Moving Average (EMA): Orange line = 21-day EMA | Blue line = 50-day EMA | Black line = 200-day EMA

Source: AmlInvestment Bank

Investment thesis. Life Water, primarily operating in Sabah, is a leading player in Malaysia's bottled water industry with an estimated 11% market share. Supported by established brands and a wide distribution network, the group has strong market reach and penetration. Expansion of manufacturing and warehousing capacity underpins rising demand, while strategic entry into Sarawak and Brunei and the rollout of new beverage products broaden growth prospects. With its solid foundation and clear expansion strategy, Life Water is poised for sustained growth.

Technical analysis. The stock may extend its uptrend after posting a long bullish candle and forming an upside gap a few sessions ago. Supported by the upward slopes of its key EMAs and above-average trading volume, additional near-term strength appears likely. A bullish bias may emerge above the **RM0.97** level, with a stop-loss set at **RM0.91**, below the 21-day EMA. On the upside, near-term resistance is seen at **RM1.10**, followed by **RM1.20**.

EXHIBIT 6: SDS GROUP (SDS | 0212) | PRICE: RM0.825



Exponential Moving Average (EMA): Orange line = 21-day EMA | Blue line = 50-day EMA | Black line = 200-day EMA

Source: AmlInvestment Bank

Investment thesis. SDS Group is poised to capitalise on Johor's growth, underpinned by rising tourism, cross-border traffic from Singapore, and government-led initiatives like the RTS Link and Johor-Singapore SEZ. As a leading bakery manufacturer and retailer, it benefits from strong brand recognition, vertical integration, and a broad retail and wholesale network. Key growth drivers include outlet expansion in high-traffic locations, rising exports to Singapore, and product

innovation. With resilient demand for affordable bakery products, SDS is well-placed to scale its nationwide presence.

Technical analysis. The stock has regained buying interest after gapped up with above-average trading volume a few sessions ago. As the 21-day and 50-day EMAs have established their bullish crossover since late-Sep, upward momentum is likely to strengthen further. A bullish bias may emerge above the **RM0.80** level, with a stop-loss set at **RM0.74**, below the 50-day EMA. On the upside, near-term resistance is seen at **RM0.95**, followed by **RM1.00**.

EXHIBIT 7: EDELTEQ HOLDINGS (EDELTEQ | 0278) | PRICE: RM0.475



Exponential Moving Average (EMA): Orange line = 21-day EMA | Blue line = 50-day EMA | Black line = 200-day EMA

Source: AmlInvestment Bank

Investment thesis. Edelteq is a niche semiconductor engineering solutions provider, spanning consumables, materials, equipment, and automation for global IDMs, OSATs, OEMs, and EMS players. Its vertical integration via Solid Point Precision improves cost efficiency, while Batu Kawan capacity expansion supports rising demand. With expertise in burn-in boards and test sockets, the group is well-positioned for the semiconductor upcycle, driven by AI, automotive, and 5G trends. Continued R&D in AI-driven inspection and advanced automation enhances margins, creates new growth avenues, and strengthens its competitive edge.

Technical analysis. The stock may trend higher after breaking out of a 2-week bullish flag pattern with a long bullish candle a few sessions ago. Having surged to a new 52-week high and being supported by rising EMAs, its upward momentum is likely to strengthen further. A bullish bias may emerge above the **RM0.45** level, with a stop-loss set at **RM0.39**, below the 21-day EMA. On the upside, near-term resistance is seen at **RM0.55**, followed by **RM0.60**.

EXHIBIT 8: SKB SHUTTERS CORPORATION (SKBSHUT | 7115) | PRICE: RM0.965



Exponential Moving Average (EMA): Orange line = 21-day EMA | Blue line = 50-day EMA | Black line = 200-day EMA

Source: AmlInvestment Bank

Investment thesis. SKB Shutters Corp, a leading manufacturer of roller shutters, steel doors, and storage systems, is well-placed to benefit from the country's rapidly growing data-centre and construction sectors. Strong demand for high-spec steel doors and shutters supports margins and provides long-term growth visibility. Beyond data centres, the group is set to capture opportunities in industrial and commercial developments, leveraging in-house manufacturing, product innovation, and an extensive distribution network. A new plant in 2025 will further boost capacity to meet rising demand.

Technical analysis. The stock may extend its uptrend after breaking above the RM0.92 resistance and reaching a new 52-week high a few sessions ago. Positive slopes in the key EMAs indicate that near-term upward momentum could continue. A bullish bias may emerge above the **RM0.92** level, with a stop-loss set at **RM0.83**, below the 50-day EMA. On the upside, near-term resistance is seen at **RM1.10**, followed by **RM1.20**.

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